

1999 Country Reports on Economic Policy and Trade Practices

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TRINIDAD AND TOBAGO

Key Economic Indicators

(Millions of U.S. Dollars unless otherwise noted)

	1997	1998	1999	1/
<i>Income, Production and Employment:</i>				
Nominal GDP	5,780	5,811	6,136	
Real GDP Growth (pct)	3.4	3.2	5.6	
GDP by Sector:				
Agriculture	124	119	126	
Manufacturing	440	480	507	
Services	3,503	3,841	4,056	
Petroleum	1,638	1,242	1,312	
Government	477	518	547	
Per Capita GDP (US\$)	4,537	4,531	4,785	
Labor Force (000s)	541	559	564	
Unemployment Rate (pct)	14.5	14.2	14.1	
<i>Money and Prices (annual percentage growth):</i>				
Money Supply Growth (M2) 2/	11.6	12.3	-1.9	
Consumer Price Inflation	3.8	5.6	3.7	
Exchange Rate (TT\$/US\$)	6.29	6.30	6.30	
<i>Balance of Payments and Trade:</i>				
Total Exports FOB	2,542	2,264	2,219	
Exports to U.S.	998	830	681	
Total Imports CIF	3,036	3,011	2,167	
Imports from U.S.	1,563	1,341	1,006	
Trade Balance	-494	-747	52	
Balance with U.S. 3/	-565	-511	-325	
External Public Debt	1,541	1,430	1,420	4/
Fiscal Deficit/GDP (pct)	0.1	-1.1	-1.3	
Current Account Deficit/GDP (pct)	-6.6	-3.5	0.9	
Debt Service Payments/GDP (pct)	8.0	5.0	4.6	
Gold and Foreign Exchange Reserves	703	779	706	4/
Aid from U.S. 5/	3.0	3.5	3.7	

Aid from Other Sources

N/A

N/A

N/A

1/ 1999 figures are all estimates based on 6 months of data, except as noted. 1997 and 1998 figures have been revised.

2/ Through July 1999.

3/ 1999 U.S. trade with Trinidad and Tobago are estimates based on 6 months of data.

4/ As of July 1999.

5/ Represents primarily security assistance and counter-narcotics program funding, training, equipment transfers, and in-kind contributions. Includes USIA and USDA exchanges.

Source: All statistics compiled by the Central Statistical Office (CSO), except BOP figures which are compiled by the central bank.

1. General Policy Framework

Trinidad and Tobago's substantial oil and natural gas reserves made it one of the richest countries in the Western Hemisphere during the oil booms of the seventies and early eighties. Much of the oil revenue windfall was used to subsidize state-owned companies and to fund social and infrastructure projects, which became a drain on government finances. A dramatic increase in domestic consumption contributed to overvaluation of the currency with a resulting decline in non-oil exports. The collapse of oil prices in the mid-1980's, and concurrent decrease in Trinidadian oil production caused a severe recession from which Trinidad and Tobago only recovered in 1994. Although structural reforms have begun to stimulate growth in non-hydrocarbon sectors, overall economic prospects remain closely tied to oil, gas and petrochemical prices and production.

Since 1992, the government has successfully turned the state-controlled economy into a market-driven one. In 1992, it began a large-scale divestment program and has since partially or fully privatized the majority of state-owned companies. The government has also dismantled most trade barriers, with only a small number of products remaining on a "negative list" (requiring import licenses) or subject to import surcharges.

Trinidad and Tobago aggressively courts foreign investors, and initialed a bilateral investment treaty with the United States in 1994, which came into force on December 26, 1996. Total U.S. direct investment flows have grown from US\$475 million in 1995 to over US\$1 billion per year in recent years.

The government uses a standard array of fiscal and monetary policies to influence the economy, including a 15 percent value-added tax (VAT) and corporate and personal income taxes of up to 35 percent. Improvements in revenue collection since 1993 have boosted VAT, income tax and customs duty revenues. This, together with additional revenues for the sale of offshore leases and tighter controls on spending, has contributed to slight fiscal surpluses since 1995. Simplification of the personal income tax regime in 1997, by eliminating many deductions in favor of a set standard deduction, and restructuring of the Board of Inland Revenue were designed to further boost revenue collection. Currently, tax collection systems are being modernized with the help of U.S. government advisors.

2. Exchange Rate Policy

In April 1993 the government removed exchange controls and floated the TT dollar. The Central Bank loosely manages the rate through currency market interventions and consultations with the commercial banks. In 1996 foreign exchange pressure mounted, and a decision by the Central Bank to allow a freer float led to a depreciation, which went as low as TT\$6.23 to US\$1.00 in December, 1996. Since early November 1997, the rate has hovered around TT\$6.29 to US\$1.00. Foreign exchange supply depends heavily on the quarterly tax payments and

purchases of local goods and services by a small number of large multinational firms, of which the most prominent are U.S. owned. Foreign currency for imports, profit remittances, and repatriation of capital is freely available. Only a few reporting requirements have been retained to deter money laundering and tax evasion.

3. Structural Policies

Pricing Policies: Generally, the market determines prices. The government maintains domestic price controls only on sugar, schoolbooks, and pharmaceuticals.

Tax Policies: Imports are subject to the CARICOM Common External Tariff (CET). Since July 1, 1998, CARICOM tariff levels have been reduced to a targeted range of 0 to 20 percent. National stamp taxes and import surcharges on manufactured items were repealed as of January 1, 1995.

By the end of 1994, almost all non-oil manufactured products and most agricultural commodities were removed from the Import Negative List, which previously required licenses for certain imports. Initially, most agricultural products that had benefited from “negative list” protection were instead subject to supplementary import surcharges of 5 to 45 percent. The list of products subject to import surcharges has now been reduced to two items – poultry and sugar.

The standard rate of Value Added Tax (VAT) is 15 percent; however, many basic commodities are zero-rated. Excise tax is levied only on locally produced petroleum products, tobacco and alcoholic beverages. The corporate tax rate was lowered in 1994 from a maximum of 45 percent to 38 percent, and again in 1995 to 35 percent. While the tax code does not favor foreign investors over local investors, profits on sales to markets outside CARICOM are tax exempt, which benefits firms with non-CARICOM connections.

Income tax rates are from 28 percent on the first \$50,000 of chargeable income and 35 percent thereafter. The taxpayer is entitled to an allowance of \$20,000. Trinidad and Tobago and the United States have entered into a double taxation treaty.

Regulatory Policies: All imports of food and drugs must satisfy prescribed standards. Imports of meat, live animals and plants, many of which come from the United States, are subject to specific regulations. The import of firearms, ammunition and narcotics are rigidly controlled or prohibited.

4. Debt Management Policies

In the second quarter of 1998 Trinidad and Tobago completed repayment of a US\$335 million International Monetary Fund loan and enjoys excellent relations with the international financial institutions. Its major lender is the Inter-American Development Bank (IDB).

Since 1997, Trinidad's external debt has declined each year as has its debt service ratio. There has, however, been a slight increase in domestic debt as the GOTT has increasingly looked internally for financing. The lower total debt burden has allowed the government more flexibility in lowering import duties and trade barriers, benefiting U.S. exports.

5. Aid

The majority of U.S. assistance to Trinidad and Tobago is in the form of support for justice and security and counter-narcotics programs. The Department of State has provided \$400,000 in anti-narcotics assistance in 1997, \$500,000 in 1998, and \$700,000 in 1999. The United States has also transferred to Trinidad and Tobago four aircraft and two Coast Guard patrol craft to Trinidad and Tobago in the past year.

6. Significant Barriers to U.S. Exports

Trinidad and Tobago is highly import-dependent, with the United States supplying about 50 percent of total imports since 1997. Only a limited number of items remain on the "negative list" (requiring import licenses). These include poultry, fish, oils and fats, motor vehicles, cigarette papers, small ships and boats, and pesticides.

Foreign ownership of service companies is permitted. Trinidad and Tobago currently has one wholly U.S.-owned bank, several U.S.-owned air courier services, and one U.S. majority-owned insurance company.

The Trinidad and Tobago Bureau of Standards (TTBS) is responsible for all trade standards except those pertaining to food, drugs and cosmetic items, which the Chemistry, Food and Drug Division of the Ministry of Health monitors. The TTBS uses the ISO 9000 series of standards and is a member of ISONET. Standards, labeling, testing and certification rarely hinder U.S. exports.

Foreign direct investment is actively encouraged by the government, and there are few if any remaining restrictions. Investment is screened only for eligibility for government incentives and assessment of its environmental impact. Both tax and non-tax incentives may be negotiated. A bilateral investment treaty with the United States, granting national treatment and other benefits to U.S. investors came into force on December 26, 1996. The repatriation of capital, dividends, interest, and other distributions and gains on investment may be freely transacted. Several foreign firms have alleged that there are inconsistencies and a lack of clear rules and transparency in the granting of long-term work permits. These generally fall into two categories, either that a permit is not granted to an official of a company which is competing with a local firm, or that the authorities threaten not to renew a permit because a foreign firm has not done enough to train and promote a Trinidadian into the position.

Government procurement practices are generally open and fair; however, both local and foreign investors have called for greater transparency in the procurement process. Some government entities request pre-qualification applications from firms, then notify pre-qualified companies in a selective tender invitation. Trinidad and Tobago signed the Uruguay Round Final Act on April 15, 1994, and became a WTO member on April 1, 1995, but is not a party to the WTO Government Procurement Agreement.

Customs operations are being restructured and streamlined with the help of U.S. government advisors. UNCTAD's ASYCUDA trade facilitation system (automated system for customs data) was adopted on January 1, 1995. Customs clearance can be time consuming because of bureaucratic delays.

7. Export Subsidies Policies

The government does not directly subsidize exports. The state-run Trinidad and Tobago Export Credit Insurance Company insures up to 85 percent of export financing at competitive rates. The government also offers incentives to manufacturers operating in free zones (export processing zones) to encourage foreign and domestic investors. Free zone manufacturers are exempt from customs duties on capital goods, spare parts and raw materials, and all corporate taxes on profits from manufacturing and international sales.

8. Protection of U.S. Intellectual Property

Trinidad and Tobago signed an Intellectual Property Rights Agreement with the United States in 1994 which, along with Trinidad's commitments under the WTO TRIPs agreement, necessitated revisions of most IPR legislation. While the government's awareness of the need for IPR protection has improved, enforcement of existing regulations remains lax.

Trinidad and Tobago is a member of the World Intellectual Property Organization and the International Union for the Protection of Industrial Property. It is a signatory to the Universal Copyright Convention, the Berne Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, the Patent Cooperation Treaty, the Classification Treaties, the Budapest Treaty, and the Brussels Convention. It has recently signed the 1978 UPOV Convention for the Protection of New Varieties of Plants and the Trademark Law Treaty. The former was proclaimed into law on January 30, 1998, and the latter came into force on April 18, 1998. As a member of the Caribbean Basin Initiative, the government is committed to prohibiting unauthorized broadcasts of U.S. programs.

The 1997 Copyright Act became effective as of October 1, 1997. The Act was written with the assistance of the World Intellectual Property Organization, and was forwarded to the United States for comment in compliance with the U.S./TT Bilateral Memorandum of Understanding on Intellectual Property Rights. The new Act offers protections equivalent to those available in the U.S. Enforcement of IPR laws remains a concern under the new Act. The

Copyright Organization of Trinidad and Tobago has stepped up its enforcement activity since the new law came into effect, but has primarily targeted unauthorized use of locally produced music products. Video rental outlets in Trinidad and Tobago are replete with pirated videos, and pirated audiocassettes are sold openly in the street and in some stores. Local Cable TV operators feel that they will have to increase rates or eliminate some channels to comply with the new law.

The Patents Act of 1996 introduced internationally accepted criteria for registration of universal novelty, inventive step and industrial applicability, along with a full search and examination procedure. The Act extended the period of protection to 20 years with no possibility of extension.

The new Trademark Amendment Act came into effect in September 1997. Trademarks can be registered for a period of 10 years, with unlimited renewals. Counterfeiting of trademarks is not a widespread problem in Trinidad and Tobago.

New technologies: Larger firms in Trinidad and Tobago generally obtain legal computer software, but some smaller firms use wholly or partially pirated software or make multiple copies of legally purchased software. Licensed cable companies are faced with unlicensed cable operators and satellite owners who connect neighborhoods to private satellites for a fee. Licensed cable companies provide customers with some U.S. cable channels, for which they have not obtained rights, arguing that since these services are not officially for sale in Trinidad, they are not stealing them.

Given the popularity of U.S. movies and music, and the dominance of the United States in the software market, U.S. copyright holders are the most heavily affected by the lack of copyright enforcement. By signing the IPR agreement, the government has acknowledged that IPR infringement is a deterrent to investment and that it is committed to improving both legislation and enforcement.

9. Worker Rights

a. The Right of Association: The 1972 Industrial Relations Act provides that all workers, including those in state-owned enterprises, may form or join unions of their own choosing without prior authorization. Union membership has declined, with an estimated 20 to 28 percent of the work force organized in 14 active unions. Most unions are independent of the Government or political party control, although the Prime Minister was formerly president of the Sugar Workers Union. The Act prohibits anti-union activities before a union is legally registered, and the Labor Relations Act prohibits retribution against strikers. Both laws contain grievance procedures.

b. The Right to Organize and Bargain Collectively: The right of workers to bargain collectively is established in the Industrial Relations Act of 1972. Antiunion discrimination is prohibited by law. The same laws apply in the export processing zones.

c. Prohibition of Forced or Compulsory Labor: Forced or compulsory labor is not explicitly prohibited by law, but there have been no reports of its practice.

d. Minimum Age for Employment of Children: The minimum legal age for workers is 12 years. Children from 12 to 14 years of age may only work in family businesses. Children under the age of 18 may legally work only during daylight hours, with the exception of 16 to 18 year olds, who may work at night in sugar factories. The probation service in the Ministry of Social Development and Family Services is responsible for enforcing child labor provisions, but enforcement is lax. There is no organized exploitation of child labor, but children are often seen begging or working as street vendors

e. Acceptable Conditions of Work: In June 1998 the government passed the Minimum Wages Act which established a minimum wage of TT\$ 7 (US\$ 1.10) per hour, a 40 hour work week, time and a half pay for the first four hours of overtime on a workday, double pay for the next four hours, and triple pay thereafter. For Sundays, holidays, and off days the Act also provides for double pay for the first eight hours and triple pay thereafter. The Maternity Protection Act of 1998 provides for maternity benefits. An Occupational Safety and Health Act is currently before Parliament.

The Factories and Ordinance Bill of 1948 sets occupational health and safety standards in certain industries and provides for inspections to monitor and enforce compliance. The Industrial Relations Act protects workers who file complaints with the Ministry of Labor regarding illegal or hazardous working conditions. Should it be determined upon inspection that hazardous conditions exist in the workplace, the worker is absolved for refusing to comply with an order that would have placed him or her in danger.

f. Rights in Sectors with U.S. Investment: Employee rights and labor laws in sectors with U.S. investment do not differ from those in other sectors.

**Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad
on an Historical Cost Basis -- 1998**

(Millions of U.S. Dollars)

Category	Amount
Petroleum	697
Total Manufacturing	49
Food & Kindred Products	(2)
Chemicals & Allied Products	5
Primary & Fabricated Metals	(1)
Industrial Machinery and Equipment	2
Electric & Electronic Equipment	0
Transportation Equipment	0
Other Manufacturing	(1)
Wholesale Trade	20
Banking	(1)
Finance/Insurance/Real Estate	20
Services	1
Other Industries	(1)
TOTAL ALL INDUSTRIES	1,054

(1) Suppressed to avoid disclosing data of individual companies.

(2) Less than \$500,000 (+/-).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.